# WEEKLY ECONOMIC REVIEW

MARCH 18, 2005

The U.S. current account[1] deficit reached a record high $666 billion in 2004, up from $531 billion in 2003 and renewing market concerns that the U.S. dollar may have further to fall in order to address this deficit. As a share of U.S. GDP, the deficit rose to 5.7% in 2004, up from 4.8% in 2003.

U.S. dollar concerns along with stronger than expected Canadian manufacturing shipments and higher commodity prices helped support the Canadian dollar near a two-month high of around 83 cents US.

Markets are expecting a quarter point increase in the U.S. Federal funds rate next week and will focus on the statement by the Federal Reserve for hints on the pace of future rate hikes. A speech by Bank of Canada Deputy Governor Longworth reaffirmed that the Bank will remain on hold with interest rates for the next several months.

Canada's manufacturing shipments soared by 3% in January, the largest gain since March 2004. The broad gains in January (16 out of 21 industries saw increases) were a combination of higher industrial prices and volumes. Alberta manufacturing shipments showed a small monthly gain, but were up an impressive 17.5% from a year ago.

**Cdn Dollar (C¢/US$)**

| | |
|---|---|
| Mar 18, 2005 | 83.1¢ |
| Mar 11, 2005 | 83.1¢ |
| 2004-05 YTD | 78.2¢ |

**WTI Oil SUS/bbl**

| | |
|---|---|
| Mar 17, 2005 | $56.40 |
| Mar 10, 2005 | $53.54 |
| 2004-05 YTD | $44.66 |

**Nymex Natural Gas CS/mcf***
**April Contract**

| | |
|---|---|
| Mar 18, 2005 | $8.67 |
| Mar 11, 2005 | $8.10 |

*estimate based on Nymex Futures Market Price

Oil hit an intra-day trading high this week above $57 a barrel. Markets were unaffected by OPEC's decision to increase its production by 500,000 barrels a day, as most believe that OPEC is unable to boost production sufficiently to reduce prices.

In the United States, the Senate approved drilling for oil in the Alaskan Arctic National Wildlife Refuge in a vote of 51 to 49 this week, in an attempt to increase future oil production.

[1]The current account figure is the combined balances on trade in goods, services, income, and net current transfers.

| Economic Indicators Released this Week | Reference Period | Month/Previous Month (M/M) | Month/Previous Year's Month (Y/Y) | Year-to-date[2] |
|---|---|---|---|---|
| **Manufacturing Shipments ($ millions)** | January | | | |
| **Alberta** | 4,651 | 0.1% | 17.5% | N/a |
| **Canada** | 51,520 | 3.0% | 12.5% | N/a |
| **New Motor Vehicle Sales (# of vehicles)** | January | | | |
| **Alberta** | 16,321 | 0.6% | 11.1% | N/a |
| **Canada** | 124,065 | -1.5% | 4.0% | N/a |

*Source: Statistics Canada*

*[2]Year-to-date 2005 compared to the same time period in 2004. For example: January-February 2005 versus January-February 2004*